

# Montana's Public Assistance Programs are Effective and Efficient

## SUMMARY

Montana's Supplemental Nutrition Assistance Program (SNAP) (formally known as food stamps), Temporary Assistance for Needy Families (TANF), and Medicaid programs are doing exactly what they are supposed to do and what Montanans ask of them. They are helping people who need the help.

It's also important to understand that ensuring accuracy and fighting fraud and abuse is already a priority in Montana and has been for many years. Republican and Democratic administrations have worked to strengthen accuracy, gain efficiencies, and root out fraud. As a result, programs to help Montanans in need are extremely efficient.

Montana uses a number of different systems, processes, staff, and cross-checks and independent audits to verify applications; validate data, determine eligibility; monitor and review utilization; control, audit, and recover costs; and ensure program integrity. When you look at the number of people these programs help and the extensive efforts required to ensure accuracy and efficiency, you can see that violations and improper payments are very limited in scope and, what's more, are subject to mandatory recovery activities.

- Montana issued \$13.9 million in TANF benefits in 2014. Only 0.19% of those dollars were overpayments from intentional program violations.
- Montana issued \$180 million in SNAP benefits in 2014. Only 0.17% of those dollars were overpayments from intentional program violations.
- Montana's Medicaid program undergoes a mandatory independent audit on a three-year cycle established by the Center for Medicare and Medicaid Services (CMS). Montana's most recent error rate for Medicaid eligibility (that's not just fraud but mistakes – including those that denied people benefits they were eligible for) was 0.4%, compared to a 3.3% national rate. The state's Medicaid provider payment error rate was 2.7% compared to the national error rate of 3.6%.

For comparison here are some statistics for other programs:

- The IRS in 2006, the most recent year studied, had a noncompliance rate of 17% for collections, a \$385 billion loss to the federal government.
- The MT Department of Revenue estimates that under-reporting business and personal income, underpaying taxes, and failure to file cost the state \$312 million in 2010.
- The recent USDA inspector general report, as reported by the [Washington Post](#)<sup>i</sup>, "said the agency spent nearly \$15 million on undue payouts through the Federal Crop Insurance Corporation while issuing no major overpayments for nutrition assistance, including the Supplemental Nutrition Assistance Program — formerly known as food stamps."

While TANF, SNAP, and Medicaid abuse is very low in Montana, any amount is unacceptable. But no one should use inflated rhetoric or unsubstantiated claims about fraud and abuse as a cover to make cuts that would take food, access to health care, or shelter away from honest, needy, hard-working Montana children, families and seniors. What abuse is occurring is very limited in scope and directing duplicative resources targeting needy families is not warranted. Nor is there any evidence to support allegations that allowing the working poor to access health care or food will lead to fraud and abuse.

## ELIGIBILITY VERIFICATION

DPHHS uses a number of different systems, processes, staff, and cross-checks to verify applications; validate data, determine eligibility; monitor and review utilization; control, audit, and recover costs; and ensure program integrity. Before they can receive help, Montanans are asked about all types of income that they are currently receiving, recently stopped receiving or expect to receive in the future. DPHHS then uses several different forms of verification to confirm eligibility. These include, but are not limited to, 27 different interfaces for state and federal data systems, hard copy documentation as well as contacting other valid sources such as employers, other agencies, or landlords.

## DENIALS

Montana fights improper eligibility and program violations in SNAP and TANF starting at the time of application. In state fiscal year 2014 30% of all SNAP applications and 58% of all TANF applications were denied. In state fiscal year 2014 the Quality Assurance Division, Program Compliance Bureau received 927 Intentional Program Violation (IPV) referrals from eligibility staff and the fraud report hotline resulting in 428 confirmed IPV's.

## SNAP/TANF VIOLATIONS AND OVERPAYMENTS

Program and Members			Eligibility Denials	Intentional Program Violations FY 2014		Intentional Program Violation Overpayments for FY 2014		Established Overpayments as % of Benefits Issued
	# Enrolled	2014 Benefits Issued	Denied Applications	Investigated	Confirmed	2014 Established Overpayments	2014 Recovered Overpayments	% IPV Overpayments
<b>TANF</b>	7,600 including 5,000 children	\$13.9 million	58%	104	48	\$ 27,000	\$ 43,000	.19%
<b>SNAP</b>	125,000 including 59,000 children	\$180 million	30%	823	380	\$ 307,000	\$ 375,000	.17%

*\*Overpayments collected include payments recovered from prior years.*

## MEDICAID AUDIT FINDINGS

Montana's Medicaid program undergoes a mandatory audit called Payment Error Rate Measurement (PERM) on a CMS-established three-year cycle, performed by a contracted agent of the federal government. Montana's most recent PERM error rate for Medicaid eligibility was .4%, compared to a 3.3% national rate. The state's Medicaid payment error rate was 2.7% compared to the national error rate of 3.6%.

	2013 Improper Payments Report Results	
	Montana (FFY 2011)	National (FFY 2011-2013)
<b>Member Eligibility Determination</b>	0.40%	3.3%
<b>Provider Fee For Service Payments</b>	2.7%	3.6%

## SNAP AUDITS

SNAP, the Supplemental Nutrition Assistance Program, has long had one of the most rigorous systems of any public benefit program to ensure payment accuracy, and program violations have declined even as the number of enrolled Montanans had increased.

Federal	SNAP	Percentage Disqualified	SNAP Benefits	Determined Fraud Dollars as a
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Fiscal Year*	Individuals Participating (Avg Monthly)	for Intentional Program Violations <sup>ii</sup>	Issued	Percentage of Benefits Issued
2004	77,000	0.72%	\$79 million	0.33%
2013	128,000	0.35%	\$192 million	0.19%

\*2004-2013 SNAP State activity reports, are available from the U.S. Food and Nutrition Service website 2004 is earliest available and 2013 is most recent accessed at <http://www.fns.usda.gov/pd/snap-reports#qc-annual>

## MEDICAID AUDITS

Surveillance and Utilization Review Section (SURS) performs CMS federally required retrospective reviews of claims paid to healthcare providers by the Medicaid program. These

Surveillance and Utilization Review Medicaid Overpayments FY 2014		
FY 2014 Projected Expenditures	FY 2014 Established Overpayments	FYI 2014 Established Overpayments as % of Expenditures
\$1 billion	\$2.3 million	2.3%

reviews, audits, and data-mining audits contribute to the integrity of the Medicaid program by identifying improper payments, providing topics for provider re-education, and giving feedback to program management.

## RECOVERY

Montana has intensified these efforts under the Bullock administration. Montana has contracted with a Recovery Audit Contractor (RAC) as part of Montana's efforts to efficiently prevent identify and correct improper Medicaid payments. The contractor uses sophisticated auditing software to electronically sift through millions of data elements targeting and isolating claims that appear to have a higher risk of improper payment. The audit contractor is paid 10 percent of improper payments collected.

Medicaid Recovery Audit Contract Audits			
Topic	2013 Total Costs	Time Frame	Overpayments Identified
Hospital Re-Admissions	Inpatient Hospitals \$86,298,648	2011-2013	19 claims, \$62,980

*A targeted review of three years of inpatient hospital services claims looking for instances where patients were readmitted to hospital, within 24 hours, with the exact same diagnosis. 22 claims were identified and 19 claims were found to be in error. Overpayments were determined to be \$62,980.*

## REFERRAL FOR FRAUD

Between 2008-2014 the Program Compliance Bureau Investigators were instrumental in assisting the Office of the Inspector General (OIG), United States Department of Health and Human Services and the Social Security Administration in the investigations and criminal prosecution in federal court for false statements and theft of government funds related to SNAP, TANF, Tribal TANF and Medicaid programs. The total amount of combined restitution ordered for these cases during this time period was \$1,185,383. The majority of Medicaid fraud is committed by a very small minority of dishonest health care providers and includes billing for services that were never rendered, double-billing, billing for different services than were provided, or ordering and billing for unnecessary treatments.

**MT Department of Justice Medicaid Fraud Control Unit (MFCU)** has jurisdiction over investigation and prosecuting Medicaid fraud. Statistics for Calendar Year 2014:

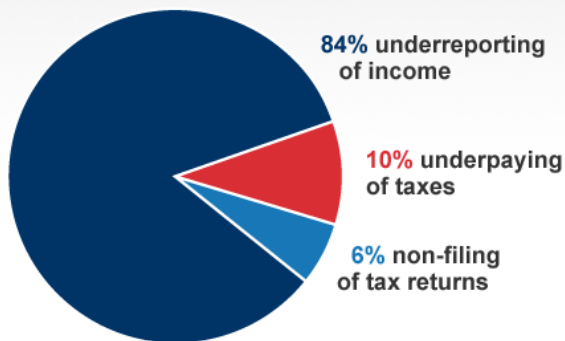
Referrals Received	Cases Opened	Cases Referred to Prosecution	Cases Charged
45	20	3 (two providers, one recipient)	6

*\*These include cases relating to Fraud, Abuse/Neglect, and Patient Funds. Information provided by the Montana Department of Justice.*

## PERSPECTIVE

The IRS in 2006, the most recent year studied, had a noncompliance rate of 17% for collections, a \$385 billion loss to the

WHAT CAUSES THE FEDERAL TAX GAP?



SOURCE: IRS

federal government. The MT Department of Revenue estimates that under-reporting business and personal income, underpaying taxes, and failure to file cost the state \$312 million in 2010. The recent USDA inspector general report, as reported by the [Washington Post](#)<sup>iii</sup>, “said the agency spent nearly \$15 million on undue payouts through the Federal Crop Insurance Corporation while issuing no major overpayments for nutrition assistance, including the Supplemental Nutrition Assistance Program — formerly known as food stamps.”

The administration is committed to continuing that progress and address new issues as they arise. For example, the Healthy Montana

Plan will implement meaningful reforms to the current Medicaid program as well as the new coverage group - to improve patient outcomes and lower costs so that patients get the right care, at the right time, in the right place. It will also create a mandatory, multipronged fraud and abuse reporting system. The Human and Community Services Division has launched a business-model based transformation to strengthen the accuracy, efficiency, timeliness and service at Montana’s Offices of Public Assistance called Service First.

### Montanans can report fraud by calling:

Medicaid and Healthy Montana Kids Fraud Control

Hotline: 1-800-376-1115

SNAP Fraud Hotline 444-2979 or 1-800-201-6308

TANF Fraud Hotline 1-800-201-6308

<sup>i</sup> “Largest USDA overpayments go toward farm subsidies, report says,” Josh Hicks, *Washington Post*, September 6, 2013 as read at

<http://www.washingtonpost.com/blogs/federal-eye/wp/2013/09/06/largest-usda-overpayments-go-toward-farm-subsidies-report-says/>

<sup>ii</sup> Percentages calculated from 2004-2013 SNAP State activity reports, are available from the U.S. Food and Nutrition Service website 2004 is earliest available and 2013 is most recent accessed at <http://www.fns.usda.gov/pd/snap-reports#qc-annual> Tables 1 Program Participation, and 18 Administrative hearings waived and upheld.

<sup>iii</sup> “Largest USDA overpayments go toward farm subsidies, report says,” Josh Hicks, *Washington Post*, September 6, 2013 as read at

<http://www.washingtonpost.com/blogs/federal-eye/wp/2013/09/06/largest-usda-overpayments-go-toward-farm-subsidies-report-says/>